Manitoba

TEACHERS' RETIREMENT ALLOWANCES FUND

REPORT TO MEMBERS

1989

90-00550/

1989 REPORT TO MEMBERS

THE TEACHERS' RETIREMENT ALLOWANCES FUND BOARD

CITIZEN MEMBERS
James G. Oborne, Chairman
Lorne Ross

TEACHER MEMBERS
George Strang, Vice Chairman
David Lerner
Anne Monk

SCHOOL TRUSTEE MEMBERS
Stephanie Shumilak
Ray Whiteway

The Teachers' Pensions Act, and preceding Acts dating back to 1925, were enacted for the purpose of providing the framework under which Manitoba public school teachers might find financial security in retirement.

The Teachers' Retirement Allowances Fund Board is constituted under The Teachers' Pensions Act to administer that Act, which also provides for a specifically constituted Investment Committee with responsibility for investment of the Fund's assets.

STATEMENT OF MANAGEMENT OBJECTIVES

1. To invest the assets of the Fund in a manner that will ensure security of capital on a real value basis making every effort, within an appropriate asset-mix policy, to earn a favorable real rate of return.
2. To ensure that all benefits are determined in accordance with the Act and paid on a timely basis.
3. To provide plan members with accurate information about the pension plan necessary to enable them to make informed decisions with respect to retirement and to the form in which earned benefits will be paid.
4. To make safekeeping arrangements for the Fund's investments that ensure their safe custody.
5. To maintain the financial and historical records of the Fund and to keep them current at all times.
6. To administer the affairs of the Fund in an effective, economical and socially responsible manner.

You are welcome to direct your enquiries regarding your status as a member of this plan to the Board office. In order that we may more rapidly answer your enquiries, we suggest that, when doing so, you state the subject you wish to discuss so that we may refer you to the appropriate staff member. It would also expedite matters if you advise as to your social insurance number. Members of the Plan may visit the office at any time during business hours to examine the Teachers' Pensions Act and amendments thereto, the annual information return to The Pension Commission, the most recent actuarial valuation report, and the latest audited financial statements.

TEACHERS' RETIREMENT ALLOWANCES FUND BOARD
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Winnipeg, Manitoba R3G 0T5
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1-800-782-0714 (Toll Free)

THE TEACHERS' RETIREMENT ALLOWANCES FUND
REPORT TO MEMBERS
1989

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THE TEACHERS' RETIREMENT ALLOWANCES FUND
REPORT TO MEMBERS
1989

This report relates to the operations of The Teachers' Retirement Allowances Fund for its fiscal year ended on December 31, 1988. In this connection, we have attached a copy of the Provincial Auditor's Report on the Accounts for that period as well as the related financial statements. Some highlights taken from those statements are:

	1988	1987	% Increase
Investments	$587,736,075.	$524,303,273.	12.1
Investment Income	$ 54,977,423.	$ 47,681,911.	15.3
Rate of Investment Return	10%	9.9%	n/a
Teacher Contributions	$ 34,604,277.	$ 33,666,816.	2.8
Contributors	14,258	14,115	1.0
Contributions and Other Payments by Province of Manitoba and Employers	$ 25,601,204.	$ 22,576,838.	13.4
Pension Payments	$ 47,043,061.	$ 41,884,834.	12.3
Pensioners and Other Recipients	4,176	3,970	5.2

PENSIONS:

During the year, 303 income benefits were granted compared to 330 in 1987, as follows:

	1988	1987
Regular Service Pensions		
Ages earlier than 60	155	190
Ages 60 and over	97	107
	252	297
Annuities to retired teachers not entitled to pensions	51	33
	303	330

144 of the total of 252 regular new pensioners chose a plan of payment providing for all or part of the pension to continue to be paid after the retired teacher's death for the lifetime of a beneficiary. 10 chose life pensions guaranteed for a minimum period of either 10 or 15 years, and 98 selected a basic lifetime pension. 75 pensioners who retired before age 65 chose to integrate either or both of the Old Age Security and Canada Pension Plan pension with

their pension from the Fund. Following is a breakdown of new 1988 regular service pensions according to years of pensionable service, with comparative 1987 figures shown in brackets:

Years of Service	No. of Pensioners		Average Monthly Basic Pension	
1 - 9.9	4	(7)	$ 300	($ 119)
10 - 14.9	34	(30)	479	(501)
15 - 19.9	31	(39)	869	(794)
20 - 24.9	46	(53)	1,122	(1,018)
25 - 29.9	32	(52)	1,504	(1,470)
30 - 34.9	53	(49)	2,013	(1,827)
35+	52	(67)	2,255	(2,073)
1 - 35+	252	(297)	$1,460	($1,365)

Following is a summary of the different types of income benefits being paid at the end of 1988 and 1987:

	1988	1987
Regular Service Pensions -		
to retired teachers	3,650	3,494
to dependents or estates of deceased retired teachers	123	111
Disability Pensions -		
to retired disabled teachers	101	108
to dependents or estates of deceased retired disabled teachers	6	6
Death Benefits -		
to surviving spouses or children of deceased teachers	74	65
Special Annuities -		
to former teachers of retirement age not entitled to regular pensions	222	186
	4,176	3,970

Of the teachers to whom, or in respect of whom the above noted benefits are being paid 2,899 are female and 1,277 are male (1987 - 2,813 female, 1,157 male).

INFORMATION AND COUNSELLING:

A summary of the benefits available to plan members is contained in a general information booklet which has been distributed to all teachers. If, for some reason you have not received a copy of this booklet or if your copy has been misplaced, you can request a new one by contacting your school division office.

During the year, staff members of the Board have corresponded with many individual teachers. During 1988 there were 523 plan members who made appointments to visit the Board office for assistance in formulating retirement plans or to obtain information concerning provisions for reinstatement of refunded service, reciprocal transfer agreements or other aspects of the plan of specific interest to them. Teachers are encouraged to arrange retirement interviews so that they and their spouses more fully understand key decisions regarding the selection of an optional type of pension payment or integration of their pension with Federal Old Age Security and Canada Pension Plan benefits.

In 1988, staff members acted as resource persons for pre-retirement planning seminars organized by The Manitoba Teachers' Society. These seminars were held in Flin Flon, Brandon, Dauphin, Carman and Winnipeg. About 480 teachers planning their retirement registered to attend. Many of them attended with their spouses. Staff members can be made available to any group of teachers who wish assistance in conducting general information meetings related to their pension plan.

Special programs such as the one which allows teachers to convert their pre July 1980 service to a 5 year average in the eventual calculation of their pension continue to be a source of enquiries. Many current and former Manitoba teachers have also enquired regarding provisions recently enacted which eliminate the July 1973 date from reciprocal agreements and which allow former teachers to reinstate their refunded service for the purpose of transferring this service to their new out of province teacher pension plan. Information concerning these or other programs may be obtained by direct enquiry to the general office.

Computer systems have been designed to provide each active teacher with a personalized benefit statement. These statements are scheduled to be distributed to each teacher by mid June each year. It is hoped that the statement will assist teachers in planning for the future. Teachers nearing retirement should contact the Board office for more detailed pension information which cannot be incorporated into the benefit statement.

INVESTMENTS:

As may be noted from the financial highlights, the invested assets of the Fund increased during the year by almost $63,000,000. This increase, along with over $18,000,000. of funds resulting from maturing securities, was invested under the direction of the Investment Committee comprised of the Chairman of the Board, a "teacher" member of the board, David Lerner, and the Provincial Deputy Minister of Finance. The investments chosen by the Committee may be summarized as follows:

	% of Total	Cost (thousand $)	Average Yield %
Bonds - Governments	20.2	$16,406,	10.49
- Canadian Corporations	6.7	5,437,	10.77
Total Bonds	26.9	21,843,	10.56
Mortgages - Insured, NHA (regular)	11.5	9,363,	10.94
- Insured, NHA (index linked)	31.7	25,772,	4.89 + CPI
- Uninsured	.7	600,	10.65
Total Mortgages	43.9	35,735,	
Total Fixed Income	70.8	57,578,	
Equity Investments			
Real Estate	4.8	3,894,	*
Direct Natural Resources	7.7	6,271,	*
Venture Capital	6.0	4,858,	*
Total Equity	18.5	15,023,	
Total Longer Term Investment	89.3	$72,601,	
Short Term Investment	10.7	8,675,	
Total New Investment	100.0	$81,276,	

* Rates of return to be achieved on these 3 asset classes cannot be predetermined as they are obtained through future rentals, product sales, dividends, interest payments, and net capital gains at time of sale. Over the longer term, investments of these types have historically yielded greater returns than fixed income investments.

Although there was a net increase in the amount invested in every asset class, the percentage of total investments representing longer term fixed income securities increased by approximately 1.3% to 59.0%, offset by a decrease in short term investments of .7% and of .6% in non-fixed income investments.

As investments in real estate, mortgages, venture capital and direct acquisition of natural resource assets require advance commitment of funds which are paid out during or on completion of construction or as required to fund venture capital or natural resource acquisitions, over $72,000,000. of unfunded commitments were in place at the end of the year, as follows:

	Amount (thousand $)	Average Yield
Mortgages:		
- Insured, NHA - regular	$28,733,	11.12%
- Insured, NHA - index linked	25,698,	5.07% + CPI
Real Estate Equity	6,737,	
Direct Natural Resources	7,902,	
Venture Capital	3,820,	
Total Commitments	$72,890,	

The rate of return on average net assets of the Fund increased in 1988 to 10.00% from 9.90% in the preceding year.

ACTUARIAL:

As required by subsection 45(4) of the Act, an actuarial appraisal of the Fund is made every 3 years. The most recent appraisal as at January 1, 1987, disclosed an actuarial surplus of $29,412,601. As a result, we are pleased to report that the Actuary has certified that "the assets of Account A, together with the contributions expected to be received from and on behalf of the teachers who are participating in the Fund, are sufficient to provide the benefits promised by the Act as they fall due".

BOARD MEMBERSHIP:

The Board is composed of 7 members appointed by the Lieutenant Governor in Council. 3 are recommended for appointment by The Manitoba Teachers' Society and 2 by The Manitoba Association of School Trustees, with the remaining 2 appointed directly by the government. The names and sources of appointment of the current members of the Board at June 30, 1988 are shown at the beginning of this report.

During the year, Mr. David Lerner was appointed a member of the Board to replace Mr. Murray Smith whose term of appointment expired on June 30, 1988 and Mr. Lorne Ross was appointed a member of the Board to complete the term of Mr. William Lavery who had resigned due to a transfer of employment. We wish to record our appreciation for the contribution that both retiring members made to the administration of the Fund during the time they served as members of the Board.

SENIOR STAFF:

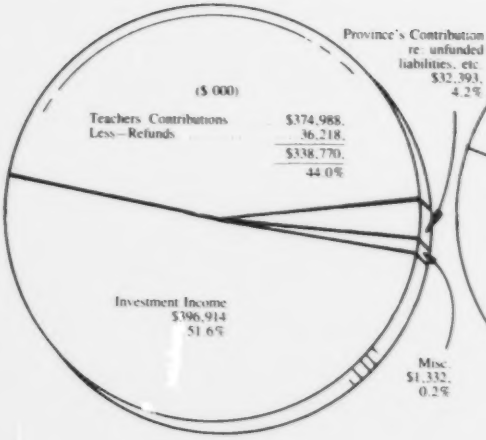
After 25 years as the Board's chief executive officer, Glen D. Buhr retired effective December 31, 1988. His abilities and foresight were instrumental in building the Fund to its current status. On behalf of the Board members and all the staff, I would like to take this opportunity to thank Glen for his dedicated service to teachers in this province and to wish him a long and happy retirement.

Claude DeGagné
Executive Director
Teachers' Retirement Allowances Fund Board

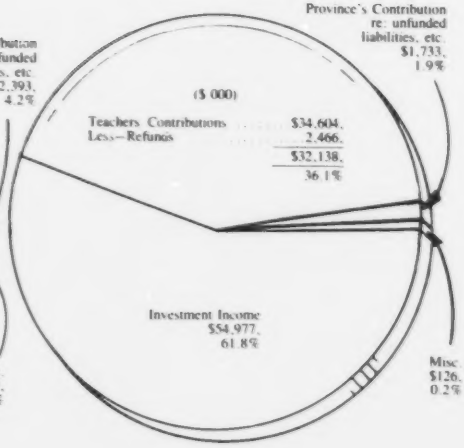
THE TEACHERS' RETIREMENT ALLOWANCES FUND

INCOME

1963 to 1988

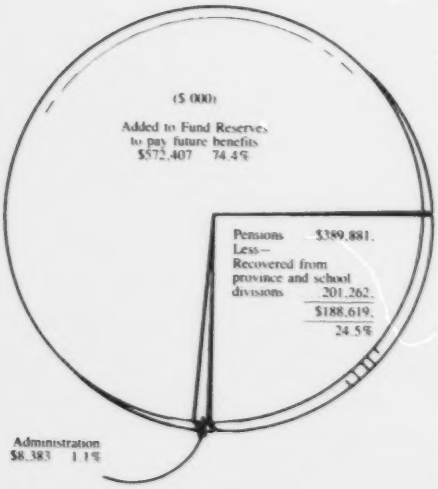


1988

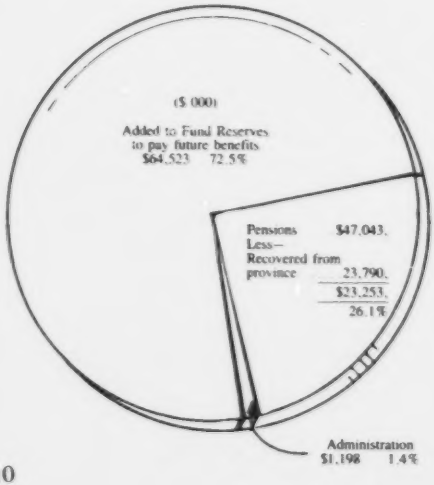


DISPOSITION OF INCOME

1963 to 1988



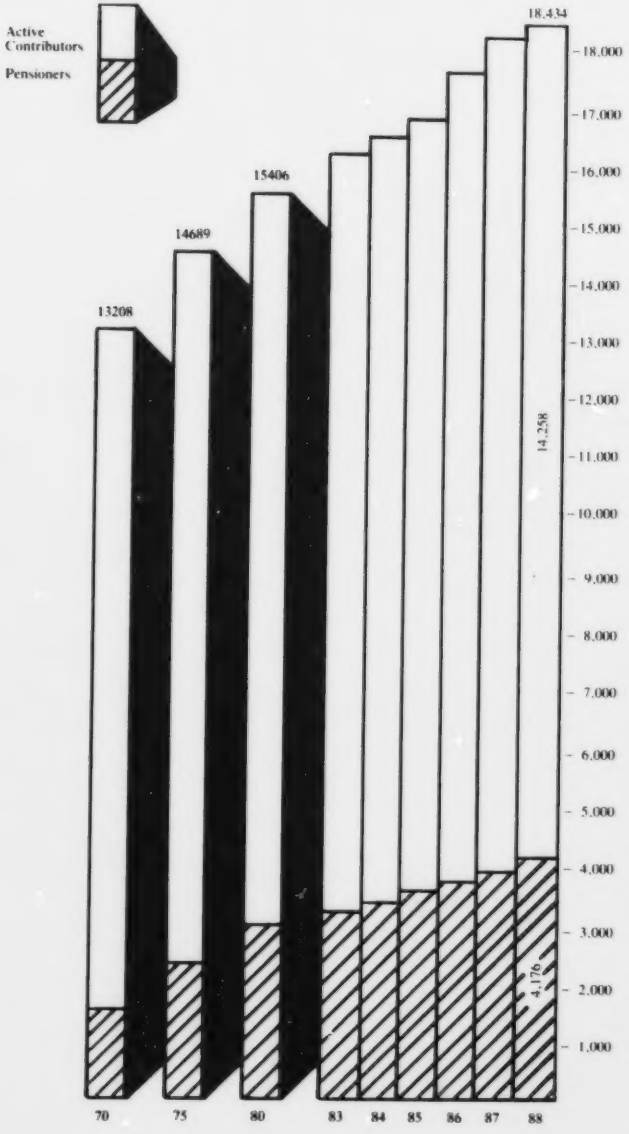
1988



THE TEACHERS' RETIREMENT ALLOWANCES FUND

THE TEACHERS' RETIREMENT ALLOWANCES FUND

PLAN MEMBERSHIP



TEACHERS' RETIREMENT ALLOWANCES FUND BOARD
COMPARATIVE STATISTICS
1925 - 1988

Year Ended June 30	Net Assets	Income From Investments			CONTRIBUTIONS	
			Approx. Rate of	Number of Teachers	Teachers	Province of Manitoba
	($ 000)	($ 000)	Return %	Contributing	($ 000)	($ 000)
1925-1948	1,866,	628,	4.00		1,761,	248,
1949-1965	28,084,	7,973,	3.25-5.00	9,000	17,806,	4,287,
1966.....	30,387,	1,427,	5.00	9,400	2,962,	538,
1967.....	33,746,	1,574,	5.15	9,750	2,972,	1,017,
1968.....	36,839,	1,735,	5.35	10,650	3,655,	1,227,
1969.....	40,627,	2,008,	5.50	11,150	4,332,	1,394,
1970.....	44,828,	2,320,	5.60	11,650	4,710,	1,578,
6 mos. ended Dec. 31, 1970	46,311,	1,369,	6.00	11,750	1,806,	1,280,
year ended Dec. 31,						
1971.....	52,119,	3,125,	6.19	12,100	5,620,	3,123,
1972.....	60,249,	3,977,	6.40	12,000	6,281,	3,841,
1973.....	68,188,	3,996,	6.53	12,200	6,982,	6,100,
1974.....	77,256,	3,078,	4.43	12,300	7,862,	8,755,
1975.....	89,277,	7,008,	8.94	12,400	9,316,	7,538,
1976.....	101,988,	8,090,	8.91	12,500	10,656,	8,519,
1977.....	117,140,	9,260,	8.91	12,600	12,348,	9,322,
1978.....	137,127,	12,007,	9.91	12,716	14,538,	9,985,
1979.....	159,066,	14,917,	10.60	12,533	16,292,	10,859,
1980.....	184,458,	17,181,	10.53	12,471	18,065,	11,848,
1981.....	222,755,	22,877,	14.02	12,805	25,985,	12,617,
1982.....	272,360,	27,991,	11.96	12,907	26,293,	13,912,
1983.....	316,200,	29,139,	10.45	12,915	27,557,	15,183,
1984.....	360,060,	28,579,	8.86	13,111	29,580,	16,453,
1985.....	414,458,	39,506,	10.85	13,287	31,214,	18,184,
1986.....	475,214	46,935,	11.25	13,763	32,890,	20,423,
1987.....	534,874	47,682,	9.90	14,115	33,667,	22,496,
1988.....	599,540	54,977,	10.00	14,258	34,604,	25,523,

School Districts ($ 000)	Admin. Expenses ($ 000)	Refunds ($ 000)	Pensions			
			Cost ($ 000)	Being Paid at end of period	Added during period	Deleted during period
--	33,	279,	464,	109	192	83
4,683,	342,	3,771,	8,759,	960	1,207	356
287,	39,	803,	2,072,	1,032	102	30
11,	44,	859,	2,251,	1,084	88	36
20,	57,	904,	2,594,	1,155	120	49
12,	56,	990,	2,906,	1,253	138	40
13,	64,	1,116,	3,261,	1,357	143	39
5,	31,	649,	2,310,	1,458	124	23
16,	90,	1,048,	4,955,	1,606	195	47
10,	114,	1,244,	5,670,	1,737	182	51
9,	123,	1,186,	7,076,	1,980	293	50
8,	136,	1,449,	8,957,	2,176	244	48
6,	168,	1,385,	10,661,	2,289	171	58
5,	215,	1,471,	12,388,	2,416	175	48
5,	290,	1,449,	14,018,	2,524	161	53
11,	261,	1,499,	15,489,	2,649	187	62
4,	292,	1,817,	17,212,	2,789	196	56
5,	358,	2,174,	19,050,	2,935	218	72
--	404,	2,191,	20,867,	3,007	143	71
--	493,	2,210,	23,054,	3,117	194	84
--	549,	2,027,	25,519,	3,239	197	75
--	660,	1,980,	28,522,	3,355	213	97
--	709,	1,914,	32,092,	3,542	260	73
--	823,	1,744,	36,771,	3,733	291	100
--	961,	2,013,	41,885,	3,970	330	93
--	1,198,	2,466,	47,043,	4,176	303	97

Manitoba

THE TEACHERS' RETIREMENT ALLOWANCES FUND

REPORT OF THE PROVINCIAL AUDITOR'S OFFICE

We have examined the financial statements, being Exhibits A, B and C and Schedules 1 and 2, of The Teachers' Retirement Allowances Fund for the fiscal year ended December 31, 1988. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Fund as at December 31, 1988 and the results of its operations for the year then ended in accordance with the accounting policies stated in note 2 to the financial statements applied on a basis consistent with that of the preceding year.

F. H. Jackson, CA,
Provincial Auditor

May 9, 1989
Winnipeg, Manitoba

Exhibit A

THE TEACHERS' RETIREMENT ALLOWANCES FUND

Balance Sheet
as at December 31, 1988
(with 1987 figures restated for comparison)

A S S E T S

	1988	1987
Investments, Schedule 1	$587,736,075	$524,303,273
Unamortized net adjustment to book value of securities sold before maturity	34,440	64,677
Accrued interest on investments	6,201,746	5,573,218
Investment income receivable	2,257,981	1,656,826
Teachers' contributions receivable from school divisions	2,907,850	2,626,623
Receivable from Government of the Province of Manitoba	936,683	566,531
Computer and office equipment, at cost less accumulated amortization of $156,216 (1987 - $107,486), Note 2(F)	96,204	124,164
	$600,170,979	$534,915,312

L I A B I L I T I E S

Bank overdraft and cash on hand	$ 134,126	$ (471,561)
Accounts payable	496,449	512,818
Money Purchase Account, Note 4, Exhibit C	64,726	28,323
Provision for Fund's share of employees' pension benefits, Note 2(E)	680,070	572,862
	1,375,371	642,442
Benefit Reserves, Exhibit B:		
Reserves for teachers' share of benefits:		
Basic	548,447,906	489,280,194
Pension indexing adjustments	48,536,562	43,354,910
Reserves for employers' share of benefits:		
Manitoba Teachers' Society	1,662,809	1,491,174
Manitoba Association of School Trustees	148,331	146,592
	598,795,608	534,272,870
	$600,170,979	$534,915,312

THE TEACHERS' RETIREMENT ALLOWANCES FUND

Statement of Changes in Benefit Reserves for the year ended December 31, 1988 (with 1987 figures for comparison)

	Reserve for Teachers' Share of Benefits	
	Basic	Pension Indexing Adjustments
Additions:		
Contributions:		
Teachers	$ 28,909,912	$ 5,694,365
Province of Manitoba:		
Share of benefits charged	23,789,562	--
Re: Actuarial liability created by 1970 and 1973 amendments	1,613,300	--
Prior rural service of certain Winnipeg teachers	119,697	--
Manitoba Teachers' Society	--	--
Manitoba Association of School Trustees	--	--
Other: Transfers under reciprocal agreements	960,510	--
Transfer from Money Purchase Account, Exhibit C	106,065	--
Total contributions	55,499,046	5,694,365
Investment Income, Schedule 2, Note 2	50,049,651	4,763,724
Total additions	105,548,697	10,458,089
Deductions:		
Pensions paid	41,697,305	5,276,437
Contributions refunded	2,466,114	--
Transfers under reciprocal agreements	1,019,144	--
Administrative expenses	1,198,422	--
Total deductions	46,380,985	5,276,437
Net increase for year	59,167,712	5,181,652
Balance at beginning of year	489,280,194	43,354,910
Balance at end of year, Exhibit A	**$548,447,906**	**$48,536,562**

Exhibit B

1988			1987
Reserve for Employers' Share of Benefits			
Manitoba Teachers' Society	Manitoba Association of School Trustees	Total	Total
$ --	$ --	$ 34,604,277	$ 33,666,816
--	--	23,789,562	20,760,037
--	--	1,613,300	1,613,300
--	--	119,697	122,664
75,398	--	75,398	72,541
--	3,247	3,247	8,296
--	--	960,510	1,541,418
--	--	106,065	38,753
75,398	3,247	61,272,056	57,823,825
149,869	14,179	54,977,423	47,681,911
225,267	17,426	116,249,479	105,505,736
53,632	15,687	47,043,061	41,884,834
--	--	2,466,114	2,013,279
--	--	1,019,144	1,055,909
--	--	1,198,422	960,689
53,632	15,687	51,726,741	45,914,711
171,635	1,739	64,522,738	59,591,025
1,491,174	146,592	534,272,870	474,681,845
$1,662,809	**$148,331**	**$598,795,608**	**$534,272,870**

Exhibit C

THE TEACHERS' RETIREMENT ALLOWANCES FUND

Statement of Money Purchase Account for the year ended December 31, 1988 (with 1987 figures for comparison)

	1988	1987
Additions:		
Deposits	$139,242	$45,756
Allocation of interest income net of administration fee	3,226	1,876
	142,468	47,632
Deductions:		
Transfer to basic reserve upon election of annuity, Exhibit B	106,065	38,753
Increase for the year	36,403	8,879
Balance at beginning of year	28,323	19,444
Balance at end of year, Exhibit A	$ 64,726	$28,323

THE TEACHERS' RETIREMENT ALLOWANCES FUND

Summary of Investments as at December 31, 1988

	Par Value	Book Value
Fixed income longer term investments, Note 2(B)(i):		
Bonds and other debt instruments issued by, or guaranteed by, the following:		
Canada	$ 94,596,125	$ 63,410,698
Province of Alberta	65,000	64,990
Province of British Columbia	3,329,875	1,554,182
Province of Manitoba	22,580,000	22,556,057
Province of New Brunswick	865,000	863,116
Province of Newfoundland	1,000,000	995,090
Province of Nova Scotia	220,000	218,753
Province of Ontario	14,972,375	10,317,212
Province of Prince Edward Island	690,000	683,235
Province of Quebec	450,000	449,430
Province of Saskatchewan	650,000	648,200
Hospital districts	6,174,000	6,167,158
Municipal corporations	9,995,904	9,980,728
Corporations	78,545,407	76,907,938
	234,133,686	194,816,787
Mortgages:		
Insured:		
National Housing Act (Canada) - regular	103,969,184	103,564,115
National Housing Act (Canada) - index linked	29,374,033	29,374,033
Other	3,876,631	3,861,594
Uninsured	18,692,194	18,666,236
	155,912,042	155,465,978
Total fixed income longer term investments at amortized cost.		350,282,765
Less: Provision for capital losses		3,143,512
Net fixed income longer term investments, carried forward...		$347,139,253

THE TEACHERS' RETIREMENT ALLOWANCES FUND

Summary of Investments as at December 31, 1988

	Book Value
Brought forward	$347,139,253
Non-fixed income investments, Note 2(B)(ii):	
Real estate equity investments:	
Common shares	29,257,804
Participating bonds	49,083,752
Qualifying shares	60,000
Total real estate equity investments, at appraised values	78,401,556
Less: Provision for valuation declines	4,819,973
Net real estate equity investments	73,581,583
Direct natural resource investments:	
Shares and notes, at cost plus interest in retained earnings	25,196,850
Investment in subsidiary, Note 3	1,000
Total direct natural resource investments	25,197,850
Venture capital equity investments, at appraised values	22,264,832
Less: Provision for valuation declines	403,000
Net venture capital equity investments	21,861,832
Real estate acquired through mortgage defaults	5,030,557
Total non-fixed income investments	125,671,822
Short term notes, at cost	114,925,000
Total Investments, Exhibit A	$587,736,075

Schedule 2

THE TEACHERS' RETIREMENT ALLOWANCES FUND
Summary of Investment Income
for the year ended December 31, 1988
(with 1987 figures for comparison)

	1988	1987
Fixed income longer term investments, Note 2(B)(i):		
Interest	$32,355,630	$29,199,393
Amortization of discounts and premiums	3,171,857	1,577,462
	35,527,487	30,776,855
Less: Allocation to provision for capital losses	825,875	714,640
	34,701,612	**30,062,215**
Non-fixed income investments, Note 2(B)(ii):		
Real estate equity:		
Interest and dividends	6,413,550	5,781,669
Adjustment due to changes in book value of investments	1,157,650	2,371,071
	7,571,200	**8,152,740**
Direct natural resources:		
Income from subsidiary	991,429	309,671
Dividends	420,575	615,745
Adjustments due to changes in book value of investments	(866,000)	(1,301,100)
	546,004	**(375,684)**
Venture capital equity:		
Income	645,963	890,569
Adjustments due to changes in book value of investments	(27,000)	(360,500)
	618,963	**530,069**
Mortgage investment corporation:		
Dividends	--	**57,080**
Canadian Commercial Bank:		
Proceeds from sale of assets, Note 5	**106,636**	--
Income from real estate acquired through mortgage defaults	**357,930**	**507,210**
Short term notes:		
Interest	**11,144,183**	**8,805,771**
Total investment income	55,046,528	47,739,401
Allocated to:		
Provision for Fund's share of employees' pension benefits	(65,879)	(55,614)
Money Purchase Account, net of administration fee	(3,226)	(1,876)
Net Investment Income, Exhibit B	**$54,977,423**	**$47,681,911**

THE TEACHERS' RETIREMENT ALLOWANCES FUND

Notes to the Financial Statements for the year ended December 31, 1988

1. **Nature of the Organization:**

The Teachers' Retirement Allowances Fund Board was originally constituted under an Act passed at the 1925 session of the Legislature and is responsible for administering the current legislation, The Teachers' Pensions Act. The Act provides for the establishment and maintenance of a pension plan and fund to provide retirement security for all public school teachers in Manitoba.

The Teachers' Retirement Allowances Fund primarily consists of contributions made by teachers and provides funds to meet half the cost of retirement benefits.

2. **Significant Accounting Policies:**

The significant accounting policies are summarized below:

(A) The Fund follows the accrual basis of accounting in all cases where the amount of the accrual is material, specifically teacher contributions and investment income.

(B) The investment valuation and income measurement policies consist of:

(i) Fixed income investments:

Income on fixed income investments includes the net effect of amortization of discounts and premiums on securities held as well as amortization of book losses on bonds sold before maturity in order to acquire other securities for an increase in net yield.

One quarter of 1% of the weighted average monthly book value during the year of fixed income longer term investments is allocated to a provision for capital losses and any actual losses realized are charged against the provision.

(ii) Non-fixed income investments:

Where valuation information is available, which is considered by management to be reliable, non-fixed

income investments are adjusted to reflect the change in their values. One-half of any unrealized appreciation is taken into income in the year and the balance is credited to the provision for valuation declines. In any year that the valuations decrease, the whole of the decrease is charged to the provision. The portion of any valuation decline exceeding the provision balance is charged to income. When an investment is sold, the balance in the provision pertaining to the investment sold is transferred to income.

(a) Investment in subsidiary:

The investment in subsidiary is accounted for on the equity method. On this basis the net change in the equity of the wholly owned subsidiary, Teachers' Retirement Resources Investment Corporation of Manitoba Inc., is recognized as income or expense to the Fund and changes the carrying value of the investment.

(b) Real estate acquired through mortgage defaults:

Properties taken over by the Fund as a result of mortgage defaults are recorded at cost. These properties presently provide the Fund with rental income and are sold when economic conditions are favorable.

(C) Pension indexing adjustment reserve:

An allocation of teachers' contributions is made to the reserve in accordance with the Act. Interest is allocated to the reserve on the basis of the average rate earned by the Fund on all fixed income investments in the Fund.

Cost of living pension adjustment payments are calculated effective July 1 in each year and are based on the lesser of the increase in the Canadian Consumer Price Index for the preceding calendar year, or the amount, determined by an actuarial review, that could be paid without resulting in an unfunded liability in the reserve.

(D) Actuarial valuation:

The financial statements do not reflect the financial position of the Fund on an actuarial valuation basis. In accordance with the Act, an actuarial valuation and report is required every 3 years. The most recent actuarial report as at January 1, 1987, disclosed a surplus of $29,412,601 compared to a surplus of $37,677,206 at January 1, 1984.

(E) Provision for Fund's share of employees' pension benefits:

A portion of the Fund was allocated to provide for the Fund's accrued actuarial liability based on an actuarial report at December 31, 1980. The report provided a method of allocating funds to the Provision each year between triennial valuations to recognize the annual increase in this liability and for adjustments to be made for actual experience at each valuation. Transactions affecting the Provision in 1988 and 1987 were as follows:

	1988	1987
Balance, beginning of year.....	$572,862	$512,239
Charged to Administrative expenses		
Adjustment re actuarial valuation at December 31, 1986.....	--	(28,639)
Required employer contributions	41,329	33,648
Interest allocated from investment income.....	65,879	55,614
Balance, end of year.....	**$680,070**	**$572,862**

(F) Computer and office equipment:

Computer equipment, office equipment and software acquisitions are capitalized and amortized on a straight line basis over five years.

3. **Investment in Subsidiary:**

The Teachers' Retirement Resources Investment Corporation of Manitoba Inc. (TRRICMI), a wholly owned subsidiary of the Fund, was incorporated on July 13, 1983, for the purpose of participating in the energy resource sector on behalf of the Fund.

The Fund's investment in TRRICMI is comprised of:

	1988	1987
Shareholder's advances.....	$ 900	$4,785,154
Capital stock.....	100	100
Retained earnings (deficit)	--	(991,429)
Investment in subsidiary...	**$1,000**	**$3,793,825**

Subsequent to the 1987 year end, and before preparation of the 1987 financial statements, it was determined that, largely because of the accounting treatment followed in the past, the

carried value of the Fund's investment in TRRICMI was significantly in excess of realizable value. Accordingly, the carried value of this investment was written down by $1,301,100 to $3,793,825 and the book loss was applied as an adjustment of 1987 investment income.

Effective April 13, 1988, TRRICMI ceased its joint venture oil and gas resource investment activity. The investments held in TRRICMI were transferred to the Fund and exchanged for shares in a different pension resource corporation (Exchange Resources Ltd.). TRRICMI realized a gain of $975,835 on the transfer of its investments to the Fund. This gain reflects repayments and petroleum incentive grants received in 1988. The combined effect of the book loss recorded in 1987 and the gain realized in 1988 is a net loss of $325,265.

4. Money Purchase Account:

The Teachers' Retirement Allowances Fund Board has established rules for the Money Purchase Account in accordance with Section 74 of The Teachers' Pensions Act. Under these rules, eligible individuals may transfer to the Money Purchase Account an amount from the Fund, the pension plan of a prior employer, or a locked-in registered retirement savings plan, to provide for an annuity or other settlement in the future. The Money Purchase Account is accounted for separately by the Board. The Board charges an annual administrative fee of 1% of the average value of the assets in the plan. The accumulated value of the eligible individual's account, upon election of an annuity under the Money Purchase Account, is transferred to the Basic Benefit Reserve.

5. Proceeds from Sale of Assets:

The failure of the Canadian Commercial Bank in 1985 resulted in the write down of the Fund's investment in that bank to $1. Legal action taken on behalf of the Fund produced a partial return of capital of $106,636 with further funds possible in 1989.